

Proposed ITEP Matrix for EBR Taxing Bodies			
SMALL BUSINESS OR NEW COMPANY <i>(50 or fewer employees)</i>			
Net new full-time jobs created		Exemption rate	
		Years 1-5	Years 6-8
		<i>up to</i>	
3 to 10 jobs	Level 2:	40%	20%
11 to 25 jobs	Level 3:	60%	40%
more than 25 jobs	Level 4:	100%	80%
<i>Subject to ROI breakeven and local hire provisions.</i>			
LARGE BUSINESS <i>(51 or more employees)</i>			
Net new full-time jobs created		Exemption rate	
		Years 1-5	Years 6-8
		<i>up to</i>	
5 to 20 jobs	Level 1:	20%	-
21 to 50 jobs	Level 2:	40%	20%
51 to 100 jobs	Level 3:	60%	40%
more than 100 jobs	Level 4:	100%	80%
<i>Subject to ROI breakeven and local hire provisions.</i>			

PROVISIONS AND ELIGIBILITY

I. Immanent closure provision

A plant facing immanent closure can be eligible for an exemption on the standard of retaining jobs, instead of creating new jobs. This provision is intended for businesses facing a real, concrete and imminent prospect of closure. It is not intended to create an avenue to justify subsidies to jobless capital investments for businesses facing ordinary market dynamics.

The following standards shall apply when invoking the imminent closure provision:

- 1) The corporate office of the plant must make a public declaration or signed affidavit indicating that the closure of the plant is an imminent possibility being considered by the business entity.
- 2) The abatement under consideration must be large enough relative to the cost of the plant's overall expenses to achieve material factor status.
- 3) Applications submitted under the imminent closure provision require 2/3rds vote of taxing bodies.

II. Local hire provision

Half of the maximum exemption rate expressed in the matrix is guaranteed for any eligible company meeting the job-creation requirements. The other half of the exemption rate shall be determined by the proportion of new hires who reside in East Baton Rouge Parish. For example, a small business that creates 30 new jobs, all of whom are or become residents of East Baton Rouge, would be eligible for the maximum 100% exemption rate. If 50% of the new hires are residents of East Baton Rouge Parish, the company would be eligible for a 75% exemption rate (50% for meeting the job creation targets, 25% for having half the new hires meet the local hire provision).

This provision places no limitations on a company's ability to hire whomever it chooses. It recognizes that tax exemptions are a subsidy paid for by the property taxpayers of a specific locality, East Baton Rouge Parish, and ties the size of that subsidy to the benefits received by that locality.

III. Return-on-investment breakeven provision

The exemption percentages outlined in the matrix are subject to a return-on-investment provision requiring that the exemption percent not exceed the rate at which positive net property tax revenue is generated by the end of years 5 and 8.

(ROI guidelines: Sales tax receipts may be included in a return on investment analysis for new businesses not yet operating in the parish. For expansions increasing output by at least 25% of existing output, sales tax receipts may be factored in the ROI at a rate proportional to the size of the expansion. For existing businesses making internal investments that are not expanding output, sales tax receipts may not be included in a return on investment analysis to determine the parish revenue break-even point.)

IV. After-the-fact exemptions prohibited

Property eligible for an exemption shall include only investments made subsequent to the passage of a resolution of support by parish taxing bodies. The investment amount on any project on which work has begun prior to the approval of a resolution by parish taxing bodies shall be ineligible for inclusion in the property value on which any exemption offer shall apply.

V. Restriction on short-life property

Only property on a depreciation schedule of 15 or more years is eligible for inclusion in the property value on which any exemption offer shall apply. Property on a depreciation schedule of less than 15 years is ineligible for an exemption.

VI. Amount eligible for exemption limited to net increase in property value

The amount eligible for an exemption is limited to the net increase in property value for the applicant's entire facility against a baseline determined by the prior year's property tax value.

VII. Accountability measures

ITEP resolutions shall include an automatic cancellation Proposition if conditions are not met (or a rate adjustment Proposition if conditions are partially but not fully met).